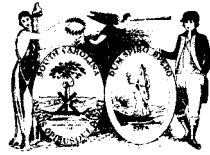


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

February 21, 2002

Ms. Lela Mayer, Administrator
Winyah Convalescent Center
Post Office Box 8247
Georgetown, South Carolina 29440

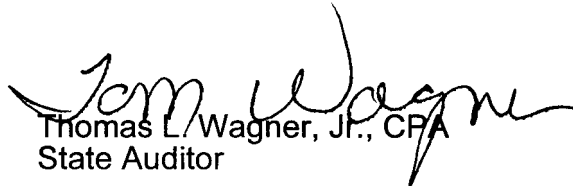
Re: AC# 3-WIN-J8 – Winyah Convalescent Center

Dear Ms. Mayer:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1997 through September 30, 1998. That report was used to set the rate covering the contract period beginning October 1, 1999.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph P. Hayes

**WINYAH CONVALESCENT CENTER
GEORGETOWN, SOUTH CAROLINA**

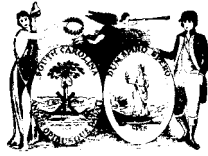
**CONTRACT PERIOD
BEGINNING OCTOBER 1, 1999
AC# 3-WIN-J8**

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

September 28, 2001

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Winyah Convalescent Center, for the contract period beginning October 1, 1999, and for the twelve month cost report period ended September 30, 1998, as set forth in the accompanying schedules. The management of Winyah Convalescent Center is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

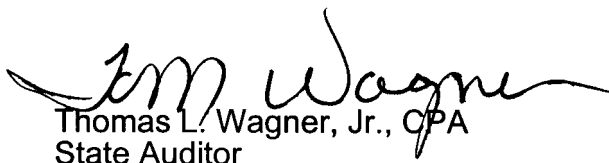
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Winyah Convalescent Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Winyah Convalescent Center dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
September 28, 2001

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

WINYAH CONVALESCENT CENTER

Computation of Rate Change
For the Contract Period
Beginning October 1, 1999
AC# 3-WIN-J8

10/01/99-
09/30/00

Interim reimbursement rate (1)	\$96.83
Adjusted reimbursement rate	<u>91.90</u>
Decrease in reimbursement rate	\$ <u><u>4.93</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 2000

WINYAH CONVALESCENT CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1999 Through September 30, 2000
AC# 3-WIN-J8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$37.32	\$47.61	
Dietary		10.61	10.24	
Laundry/Housekeeping/Maint.		<u>9.94</u>	<u>8.89</u>	
Subtotal	<u>\$4.67</u>	57.87	66.74	\$57.87
Administration & Med. Rec.	<u>\$2.46</u>	<u>8.93</u>	<u>11.39</u>	<u>8.93</u>
Subtotal		66.80	<u>\$78.13</u>	66.80
<u>Costs Not Subject to Standards:</u>				
Utilities		2.25		2.25
Special Services		3.88		3.88
Medical Supplies & Oxygen		4.80		4.80
Taxes and Insurance		1.43		1.43
Legal Fees		<u>.04</u>		<u>.04</u>
TOTAL		<u>\$79.20</u>		79.20
Inflation Factor (3.00%)				2.38
Cost of Capital				6.18
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.46
Cost Incentive				4.67
Effect of \$1.75 Cap on Cost/Profit Incentives				(5.38)
CNA Add-On				.75
Nurse Aide Staffing Add-On				<u>1.64</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$91.90</u>

WINYAH CONVALESCENT CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1998
AC# 3-WIN-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,100,017	\$ 26,700 (5) 1,733 (5)	\$ 7,200 (6) 11,475 (9)	\$1,109,775
Dietary	311,479	4,057 (5)	-	315,536
Laundry	49,223	-	6,040 (7)	43,183
Housekeeping	182,366	3,619 (5)	2,572 (3) 935 (4)	182,478
Maintenance	69,213	679 (5)	79 (8)	69,813
Administration & Medical Records	279,967	2,437 (5) 518 (5)	11,150 (2) 6,102 (8)	265,670
Utilities	66,817	-	49 (8)	66,768
Special Services	129,311	-	13,829 (10)	115,482
Medical Supplies & Oxygen	265,474	-	14,128 (3) 80,296 (4) 28,312 (9)	142,738
Taxes & Insurance	42,605	-	59 (8)	42,546
Legal Fees	1,278	-	-	1,278
Cost of Capital	184,045	412 (1)	223 (8) 437 (11)	183,797
Subtotal	2,681,795	40,155	182,886	2,539,064

WINYAH CONVALESCENT CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1998
AC# 3-WIN-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	64,178	-	-	64,178
Non-Allowable	481,124	11,150 (2) 8,990 (3) 79,430 (4) 7,200 (6) 6,040 (7) 6,512 (8) 39,787 (9) 13,829 (10) 437 (11)	412 (1) 39,743 (5)	614,344
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Operating Expenses	<u>\$3,227,097</u>	<u>\$213,530</u>	<u>\$223,041</u>	<u>\$3,217,586</u>
Total Patient Days	<u>29,740</u>	<u>-</u>	<u>-</u>	<u>29,740</u>
TOTAL BEDS	<u>84</u>			

WINYAH CONVALESCENT CENTER
Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-WIN-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 1	
	Other Equity	1,935	
	Cost of Capital	412	
	Accumulated Depreciation		\$ 1,936
	Nonallowable		412
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	11,150	
	Administration		11,150
	To remove unnecessary working capital interest HIM-15-1, Section 202.2 State Plan, Attachment 4.19D		
3	Retained Earnings	7,710	
	Nonallowable	8,990	
	Housekeeping		2,572
	Medical Supplies		14,128
	To properly charge expense related to the prior period, remove duplicate expense, and remove expense reimbursed by Medicare HIM-15-1, Sections 2302.1 and 2304 State Plan, Attachment 4.19D		
4	Accounts Payable	1,801	
	Nonallowable	79,430	
	Housekeeping		935
	Medical Supplies		80,296
	To disallow expense due to lack of documentation, remove duplicate expense, and disallow finance charges HIM-15-1, Sections 2102.3 and 2304		

WINYAH CONVALESCENT CENTER
Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-WIN-J8

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nursing	26,700	
	Restorative	1,733	
	Dietary	4,057	
	Housekeeping	3,619	
	Maintenance	679	
	Administration	2,437	
	Medical Records	518	
	Nonallowable		39,743
	To adjust fringe benefits and related allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
6	Nonallowable	7,200	
	Restorative		7,200
	To adjust owner's compensation		
	State Plan, Attachment 4.19D		
7	Nonallowable	6,040	
	Laundry		6,040
	To adjust laundry purchase service cost		
	HIM-15-1, Section 1005		
8	Nonallowable	6,512	
	Maintenance		79
	Administration		6,102
	Utilities		49
	Taxes and Insurance		59
	Cost of Capital		223
	To adjust home office cost allocation		
	HIM-15-1, Sections 2150 and 2304		
	State Plan, Attachment 4.19D		
9	Nonallowable	39,787	
	Nursing		11,475
	Medical Supplies		28,312
	To remove special (ancillary) services reimbursed by Medicare		
	State Plan, Attachment 4.19D		

WINYAH CONVALESCENT CENTER
Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-WIN-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Nonallowable Special Services	13,829	13,829
	To adjust co-insurance for Medicare Part B services State Plan, Attachment 4.19D		
11	Nonallowable Cost of Capital	437	437
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$224,977</u>	<u>\$224,977</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

WINYAH CONVALESCENT CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1998
AC# 3-WIN-J8

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.2493</u>
Deemed Asset Value (Per Bed)	35,130
Number of Beds	<u>84</u>
Deemed Asset Value	2,950,920
Improvements Since 1981	127,136
Accumulated Depreciation at 9/30/98	<u>(567,084)</u>
Deemed Depreciated Value	2,510,972
Market Rate of Return	<u>.063</u>
Total Annual Return	158,191
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	158,191
Depreciation Expense	25,635
Amortization Expense	-
Capital Related Income Offsets	(29)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	183,797
Total Patient Days (Minimum 97% Occupancy)	<u>29,740</u>
Cost of Capital Per Diem	\$ <u><u>6.18</u></u>

WINYAH CONVALESCENT CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1998
AC# 3-WIN-J8

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$2.99
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$6.98</u>
Reimbursable Cost of Capital Per Diem	\$6.18
Cost of Capital Per Diem	<u>6.18</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

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